

Capital Expenditures Committee Report to the 2010 Annual Town Meeting under Article 2
Presented on April 7, 2010, by Charles Lamb, Chair

Madam Moderator, I move that the report of the Capital Expenditures Committee be received and placed on file. Madam Moderator, Town Meeting Members, this is my annual opportunity to let you know what is on the minds of the members of the Capital Expenditures Committee. Fear not, I will be brief.

First, I'd like to acknowledge the efforts of the Committee in producing this year's report. Since last October we have spent lots of time researching the capital articles on this warrant. David, Ted, Shirley, Bill, thank you for your hard work and service to the committee. I also want to thank my colleagues on the Community Preservation Committee, Appropriation Committee, Board of Selectmen, School Committee, as well as the Town Manager and his staff for their hard work and collaborative attitude towards this Committee's work.

Next, a few words regarding our written report. There are a lot of capital projects in Lexington, especially since the adoption of CPA four years ago. This document serves as our corporate memory, which makes it, well...in a word, voluminous. I will call your attention to a few key areas. First, the executive summary at the beginning will give you a quick overview of the major issues we face. The inside covers, both front and back, contain our recommendations for each of the capital-related warrant articles. Finally, the last page of the report will give you a useful handle on the inflows and outflows of CPA money.

By now I'm sure you have all whipped out your copy and are looking at the article analyses, but you'll probably be bored by our recommendations since they are all consistent with those of the Community Preservation Committee, Board of Selectmen, and School Committee. As I remind you every year, this does not mean we've rubber stamped everything that came before us. Some articles will be indefinitely postponed by prior mutual agreement. Others we have recommended by only a simple majority, and for those we will state our reservations when the article is presented. By committee policy, we will not be presenting minority reports. Nor do we currently plan to offer any amendments. Finally, the Cotton Farm land acquisition has not yet been fully considered by the CPC so our report on that parcel will be forthcoming should the CPC decide to advance it to Town Meeting.

All of this committee's members appreciate that we should not make our recommendations on the basis of politics. Instead, per our charter, we aspire to only offer advice to you, Town Meeting, and leave the policy decisions to the elected bodies such as you, the Board of Selectmen and the School Committee. Be assured that our recommendations always put you first, above the interests of any other board or committee and we generally try to give you the significant factors to consider in your deliberations. But we will be the first to admit that the distinction between advice and policy-setting can often be murky.

So what's keeping us awake at night? Our favorite hobby horse is the long list of major capital projects that we face in Lexington. Roads, schools, the Fire Station, the Police Station, the Town Office Building, a community center, conservation land, traffic mitigation, not to mention the restoration and replacement of our other existing buildings and infrastructure. The list is extensive and the funds are limited. These projects total at least 83 million dollars with a large number of them still having undetermined price tags. Several will require debt exclusions to finance either partially or fully and it will be important to sequence those referendums properly. Presently, bond rates are extremely low so this makes borrowing quite attractive. But there is also the problem that some of these projects do not have enough of the design and engineering completed and therefore we are not ready to go to the voters

Capital Expenditures Committee Report to the 2010 Annual Town Meeting under Article 2
Presented on April 7, 2010, by Charles Lamb, Chair

for approval. And we must ask how much the tax payers can bear in terms of excluded debt. To that end, this committee truly believes that there needs to be a five year capital plan for all of these major projects with time-phased, prioritized, best-guess project costs and funding sources. Once such a plan is on the table, collaboration between the four summit committees, the CPC, and the town staff can begin.

Adoption of the CPA surcharge in Lexington four years ago opened up a new source of funds for many of these capital projects. The CPA clearly serves a broad range of constituent groups as supporters. But as this committee has suggested to you in earlier years, it also opens a dichotomy in terms of project prioritization. Practically speaking, some projects can only be funded using CPA funds, some projects can only be funded using Tax Levy or excluded debt funds, and some projects can be funded by more than one of those sources. For the last category, choosing the right funding source can be difficult.

Nevertheless, without CPA, it is unlikely that the tax levy could absorb the debt service required to fund many of the projects that have come before the Community Preservation Committee. For example, a year ago, you authorized purchase of the Busa property using CPA debt funding. This bonding marked the start of a new era in which the requests for CPA funds exceeded the available cash funds. Although the Busa purchase crossed the line of using debt for a CPA project, it is funded with a relatively short-term and aggressive bonding structure which has the blessing of all relevant committees and boards. By the way, we'd like to thank Mr. Addelson and Mr. Valente for advocating this aggressive 3-year front-loaded structure. The real question is whether we will fund future large CPA projects using debt or cash. For future large debt appropriations, it may not be possible to use the same short-term bonding that was used for the Busa property, and that would mean that debt service would become a more permanent fixture within the CPA budget. Additional CPA debt is neither right nor wrong. It is a policy decision, the implications of which need to be carefully considered.

So now you've heard me talk about the two major targets on our radar screen. For any concerns regarding a particular article, we'll update you at the time they are debated. In the meantime we are happy to answer any questions you may have about our report as you read through it.

Madam Moderator, thank you for this opportunity to address the Town Meeting.